

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-35-W - ORDER NO. 2010-716
OCTOBER 26, 2010

| | | |
|---|---|-------------------|
| IN RE: Application of Pine Haven Water System for |) | ORDER APPROVING |
| Approval of an Establishment of Water Rates |) | SETTLEMENT |
| and Charges for the Provision of Water |) | AGREEMENT AND |
| Service in Pine Haven Subdivision - Garrett's |) | RATES AND CHARGES |
| Landing in York County |) | |

This matter comes before the Public Service Commission of South Carolina (hereinafter the “Commission”) on the Settlement Agreement (“Agreement”) filed by the Office of Regulatory Staff (“ORS”) and Pine Haven Water System (“Pine Haven” or “the Company”) (together “Parties”).

This matter was initiated on April 28, 2010, when Pine Haven filed with this Commission an Application for the establishment of rates and charges for the provision of water service in Pine Haven and Garret’s Landing Subdivisions. See S.C. Code Ann. §58-5-210 (Supp. 2009). By its Application, the Company sought approval of a flat rate of \$40.00 per month for residential customers, a flat rate of \$10.00 per month for the months of April through September for in-ground sprinklers, and a flat rate of \$10.00 per month for the months of April through September for pools with filter systems, and a \$25.00 reconnection fee.

By letter dated May 14, 2010, the Commission’s Clerk’s Office instructed the Company to publish a prepared Notice of Filing, one time, in newspapers of general

circulation in the area affected by the Company's Application. The Notice of Filing described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion as a party of record. In the same letter, the Commission also instructed the Company to notify directly, by U. S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing. Pine Haven furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published in a newspaper of general circulation in the area affected by the Company's Application. The Company also provided the Commission with a letter in which the Company certified that it had complied with the instruction of the Commission's Clerk's Office to mail a copy of the Notice of Filing to all customers affected by the Application.

No Petitions to Intervene were filed in this case in response to the Notice of Filing. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2009), ORS is a party of record in this proceeding.

As a result of settlement negotiations, the Parties have determined that their interests are best served by settling the dispute in this matter under the terms and conditions set forth below. ORS stated in the Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Settlement Agreement, counsel for ORS and the owner for Pine Haven acknowledged their consent to its terms.

The Settlement Agreement provided that the Parties viewed the terms of the Agreement to be just and reasonable.

A public hearing was held before the Commission on September 22, 2010, at the Commission's offices located at 101 Executive Center Drive, Columbia, South Carolina. Carroll Norman, owner and operator, appeared on behalf of Pine Haven. ORS was represented by C. Lessie Hammonds, Esquire. At this hearing, the parties offered into the record the Settlement Agreement dated August 26, 2010. The Parties further introduced into the record and stipulated to the prefiled testimony of Company witness Carroll Norman, and ORS Program Specialist–Water/Wastewater Department, Hannah Majewski. Mrs. Majewski testified in support of the Settlement Agreement.

The Parties asserted before the Commission that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers.

Pine Haven provides water service to 30 residential customers in the Pine Haven and Garrett's Landing Subdivisions in York County. Mr. Norman began operating the system in the mid 1980s. According to testimony, the system is operating at full capacity. DHEC requires further testing and approval prior to the use of any additional taps on the system.

In the Settlement Agreement, the Parties propose that the rates be implemented as follows: a flat rate of \$40.00 per month for residential customers, a flat rate of \$10.00 per month for the months of April through September for in-ground sprinklers, and a flat rate

of \$10.00 per month for the months of April through September for pools with filter systems, and a \$25.00 reconnection fee.

ORS witness Majewski testified that the proposed rate schedule would result in the ability to earn total operating revenue of \$14,820 with an operating margin of 5.56%. The adjusted operating expenses, including \$2,594 in depreciation, totaled \$13,996 with a net income of \$824. Mrs. Majewski also testified that Pine Haven is in compliance with DHEC regulations, and Pine Haven would be a NARUC Class C water utility according to the pro forma revenue information.

Company witness Norman testified that he has maintained the system throughout the years and the system is in good condition. Mr. Norman testified that, while the system has some meters, the Company has continued with flat rates because it is not economically feasible to complete the installation of all meters at this time. Mr. Norman testified the Company was not currently using the NARUC Uniform System of Accounts for its books and records but that he had purchased the necessary materials and would be utilizing the NARUC Uniform System of Accounts in the future.

We find that the rates agreed to by the parties, which are specified in the Settlement Agreement, as corrected, which is hereby adopted and attached to this Order as Appendix A, are just and reasonable and that such allow Pine Haven to provide its customers with adequate water service.

The Settlement Agreement, as corrected, provides a schedule of proposed rates, terms, and conditions that are just and reasonable. The parties therefore agreed and stipulated to certain rates and charges and terms and conditions which we hereby approve

and are set forth in the attached Appendix B. We agree, and hereby find, that the rates and charges and terms and conditions contained in the Settlement Agreement are just and reasonable.

After review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case and the testimony of the witnesses, the Commission concludes as a matter of law that the Settlement Agreement results in just and reasonable rates and fees for water service.

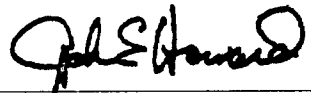
Based on the operating revenues, income, and expenses agreed upon by the Parties, the resulting allowable operating margin for the Company is 5.56%. See S.C. Code Ann. § 58-5-240(H).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement, as corrected, is attached hereto as Appendix A and is incorporated into and made a part of this Order by reference.
2. The proposed rates contained in the Settlement Agreement have been entered into the record of this case without objection. We find that the schedule of rates and charges and terms and conditions attached hereto as Appendix B is both just and reasonable and will allow the Company to provide its customers with adequate water services.
3. The schedule of rates and charges attached hereto as Appendix B is approved for service rendered thirty (30) days after the issuance of this Order.
4. An operating margin of 5.56% is approved for Pine Haven.

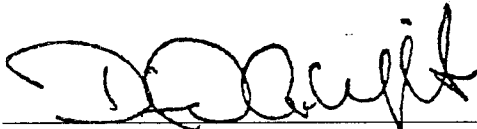
5. Pine Haven shall file all necessary documents, reports, and other instruments as required by applicable South Carolina statutes and regulations for the operation of its water system in Pine Haven and Garrett's Landing Subdivisions in York County.
6. Pine Haven shall be a NARUC Class C water utility and shall keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations.
7. Pine Haven shall file with the Commission and provide a copy to ORS a bond that satisfies the criteria as set forth in S.C. Code Ann. § 58-5-720 (Supp. 2009) within thirty (30) days from the issuance of this Order. The amount of Pine Haven's performance bond for water service is \$100,000.
8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



John E. Howard, Chairman

ATTEST:



David A. Wright, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2010-35-W

August 26, 2010

IN RE: Application of Pine Haven Water)
 System for an Establishment of) **SETTLEMENT AGREEMENT**
 Water Rates and Charges for the)
 Provision of Water Service in Pine)
 Haven Subdivision and Garrett's)
 Landing Subdivision in York County)

This Settlement Agreement is made by and between Pine Haven Water System ("Pine Haven" or "the Company") and the South Carolina Office of Regulatory Staff ("ORS"), (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on April 28, 2010, Pine Haven filed an Application for the Establishment of Rates and Charges for the Provision of Water Services in Pine Haven and Garrett's Landing Subdivisions in York County with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the above-captioned proceeding has been established by the Commission pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2009) and 26 S.C. Code Ann. Regs. 103-712.4.B (2009);

WHEREAS, Carroll Norman is the sole owner and operator of Pine Haven Water System;

WHEREAS, currently Pine Haven provides water service to approximately 30 customers in Pine Haven and Garrett's Landing Subdivisions in York County South Carolina;

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application and has conducted a site visit;

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket and there are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, to determine whether a settlement of this proceeding would be in their best interests and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to obtain a reasonable operating margin.

1. The Parties stipulate and agree that a flat rate of \$40.00 per month for residential water service, a flat rate of \$10.00 per month for the months of April through September for in-ground sprinklers, and a flat rate of \$10.00 per month for the months of April through September for pools with filter systems are just and reasonable rates. A ^{\$25.00*}~~\$35.00~~ reconnection fee will apply to reconnect service. There will be no water tap fee.

2. The Parties stipulate and agree that the rates contained in the rate schedule attached as Exhibit One to this Settlement Agreement are reasonably designed to allow the Company to provide service to its water customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover the revenue required to earn a fair operating margin.

3. The Parties agree that the ORS shall have access to all of the books and records of this system and shall perform an examination of these books as necessary.

4. Pine Haven agrees to keep its books and records according to the NARUC Uniform System of Accounts as required by the Commission's rules and regulations. Pine Haven also understands and agrees that the South Carolina Department of Health and Environmental Control ("DHEC") Safe Drinking Water Fee may only be collected and used to pay DHEC.

5. Pine Haven agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water system.

6. The Parties acknowledge that Pine Haven has been and will continue to work with DHEC regarding the authorized capacity for this system. The Parties also acknowledge and agree that DHEC is the regulatory agency with jurisdiction to issue the appropriate capacity limits for a water/wastewater system.

7. Pine Haven agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. §58-5-10(4) (Supp. 2009) and that the Company is therefore required to meet the bond requirements for the operation of the system as set forth in S.C. Code Ann. §58-5-720 (Supp. 2009).

8. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

9. The Parties agree to stipulate into the record the pre-filed direct testimony of W. Carroll Norman on behalf of Pine Haven and the settlement testimony of Hannah Majewski on behalf of ORS in support of this Settlement Agreement.

10. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

11. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

12. This Settlement Agreement shall be interpreted according to South Carolina law.

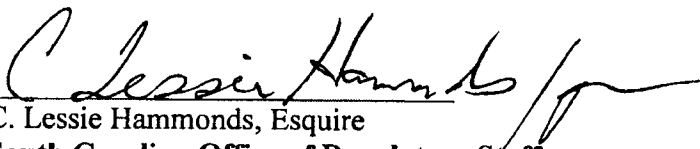
13. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. In the event any party to this Agreement is not represented by counsel, party hereby acknowledges the opportunity to retain and consult party's own counsel and acknowledges party's intent to execute and fully comply with the terms of this Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

14. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[SIGNATURE PAGES TO FOLLOW]

WE AGREE:

Representing and binding the Office of Regulatory Staff


C. Lessie Hammonds, Esquire
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
Phone: (803) 737-0803
Fax: (803) 737-0895
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Appendix A

Docket No. 2010-35-W

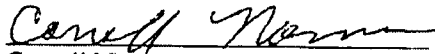
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WE AGREE:

Representing and binding Pine Haven Water System



Carroll Norman

767 Pine Haven Circle

Clover, SC 29710

Phone: (803) 222-3334

Fax: (866) 515-1352

Email: bgtnorm@yahoo.com

Appendix B

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**Pine Haven Subdivision Water System
Docket 2010-35-W
Rates Overview**

Exhibit HKM-4

| | |
|------------------|-----------------------|
| FLAT RATE OF | \$40.00 PER MONTH |
| SPRINKLER CHARGE | \$10.00 PER MONTH |
| POOL CHARGE | \$10.00 PER MONTH |
| RECONNECTION FEE | \$25.00 PER OCCURANCE |

The "Sprinkler Charge" is applied to users with an in-ground irrigation system with sprinkler heads or in-ground soaker pipes. The system shall be controlled by a timer or manual controls. The charge is only applied for the months of April through September.

The term pool shall apply to any above ground or in-ground swimming pool that has a filter system to maintain water quality. The pool charge is only applied for the months of April through September which is the normal and customary operation times for pools.